

Santander Consumer USA Holdings, Inc. to Pay \$2.875 Million to Delaware Consumers Over Sub-Prime Auto Loans

Following an investigation by the Delaware and Massachusetts Attorney General offices into the financing and securitization of sub-prime auto loans, Santander Consumer USA Holdings, Inc. has agreed to pay up to \$2.875 million to harmed Delaware consumers.

The investigation, conducted by the Fraud Division of Attorney General Matt Denn's Office in partnership with the Massachusetts Attorney General's Office, revealed that Santander allegedly funded auto loans without having a reasonable basis to believe that the borrowers could afford them. In fact, Santander predicted that a large portion of the loans would default, and allegedly knew that the reported incomes, which were used to support the loan applications submitted to the company by car dealers, were incorrect and often inflated.

Car loans to consumers with poor credit, known as subprime auto loans, are often made through contracts made at the car dealership, but the loans are funded by non-dealer financial institutions, like Santander. As part of the funding process, many investment banks and other financial entities package auto loans, dropping them into large asset pools and selling bonds or notes backed by the assets in the pools. Money obtained from this process is then used to fund more subprime loans.

The investigation by Delaware and Massachusetts also revealed that Santander was allegedly aware that certain dealerships

had high default rates due in part, to the regular submission of inaccurate data on loan applications – most often involving inflated income – but Santander continued to purchase loans from those dealers anyway and, in some cases, sell them to third parties.

“Protecting consumers from unfair lending practices is extremely important and has been a priority for our office,” said Attorney General Matt Denn. “We are pleased that this settlement results in significant consumer relief and provisions that will prevent similar misconduct in the future. We will continue to pursue investigations in this area to ensure that Delaware consumers receive a fair deal when they are extended credit to finance a purchase. I am proud of the work of our Fraud Division and also thank the Massachusetts Attorney General’s Office for being a valued partner in this investigation.”

Santander will provide significant consumer relief by paying \$2.875 million into a trust for the benefit of harmed Delaware consumers. A trustee will be appointed to locate and pay restitution to hundreds of eligible harmed Delawareans who financed vehicle purchases through Santander. Eligible consumers will be contacted by the trustee and the AG’s office regarding the claims process for restitution. Santander will also pay just over \$1 million to the Delaware Consumer Protection Fund, which pays for work on consumer fraud and deceptive trade practice matters and other consumer-oriented investigations and legal actions.

The agreement also requires business reforms by Santander, including: procedures to screen loans originated by Delaware dealers to ensure that they are in compliance with Delaware law and that minimum documentation requirements are met; not waiving those screens or documentation requirements with respect to Delaware dealers identified as “high risk”; and not selling to a third party any loans purchased from Delaware “high risk” dealers that have failed a screen or the

documentation requirements. Santander has also agreed, on a prospective basis, to identify and repurchase subprime loans sold to third parties that it later determines do not comply with Delaware law.

A copy of the Cease and Desist by Agreement with Santander is available [here](#).

Consumers who have complaints or question regarding auto loans are encouraged to file a complaint with the Consumer Protection Unit of the Attorney General's Office.

The matter was handled by Deputy Attorneys General Greg Strong, Christian Wright, Jill Lazar, and Laura Najemy and paralegal Debra Szymurski.